GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3045
ANSWERED ON:07.12.2001
INDUSTRIAL PRODUCTION
BASUDEB ACHARIA;JASWANT SINGH YADAV;KINJARAPU YERRANNAIDU;MOINUL HASSAN AHAMED;RAMJI MANJHI;SHEESH RAM SINGH RAVI;SURESH RAMRAO JADHAV (PATIL);VARKALA RADHAKRISHNAN;VIJAY KUMAR MALHOTRA

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) Whether the industrial production growth has slumped in the first six months of current year in comparison to the same period of previous year;

(b) If so, the comparative figures thereof;

(c) the reasons for this sharp decline in the industrial production growth;

(d) the extent to which this growth is less than the target fixed, if any;

(e) whether the Government have formulated any plans to improve its industrial growth situation in the remaining period of current financial year; and

(f) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (DR. RAMAN SINGH)

(a) to (f): A statement is enclosed.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA UNSTARRED QUESTION. NO. 3045 FOR 7.12.2001

(a) and (b) : Yes, Sir. The industrial production growth rate as measured by Index of Industrial Production registered a growth rate of 2.3% during April-September 2001-02 as against 5.7% registered during 2000-01.

(c): The main reasons for decline in industrial production are as under:

- Comparatively lower agricultural production in the past two years resulting in lower aggregate demand and reduced consumption.

- Economic slowdown in U.S and many other countries have adversely affected exports. The share of exports to U.S constitutes 19.19% of the total exports of India. As significant share of industrial produce is exported from India, a slowdown in exports impacts industrial production.

- Persistence of Infrastructure bottlenecks and failure to attract private sector investment in infrastructure projects.

- Decline in stock market capitalization.
- High real interest rates.
- Subdued business sentiments.

(d): The cumulative growth achieved so far during the first six months of the current fiscal year (April-September 2001-02) is 2.3% as

against an annual target of 8.2% for industrial growth set by the Planning Commission for the Ninth Five Year Plan.

(e) and (f): The Government has taken several policy initiatives to boost industrial production in the country. These measures have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, improve sentiments in the stock market, and encourage FDI flows in particular.

Some of the initiatives taken recently are briefly mentioned below:

- Public spending out of the current budgetary allocations has been stepped up. Government has already identified several `last mile projects` under various ministries for speedy completion.

- To boost liquidity, Reserve Bank of India has cut Bank Rate by half-percentage point; from 7.0 per cent to 6.50 per cent to touch it`s lowest since May 1973. The CRR has also been reduced by 2.0 percentage points from 7.50 per cent to 5.50 per cent. RBI also removed most of the exemptions available on CRR.

- RBI has already reduced interest rate on export credit to 2.5% below PLR from 1.5% below PLR earlier. Since about 35% of the total manufacturing is exported this strategy is expected to boost exports.

- The Parliament has passed the Companies (Amendment) Bill, 2001, which now awaits President`s assent. The Bill allows buy back of shares by companies, enhances liquidity in stock markets, besides improving market sentiments.

- Investment limits for Foreign Institutional Investors (FII) have been increased to the level of FDI ceilings in all the sectors.

- Proposals have also been made for suitable legislative changes to improve the operating environment for industry.

- To remove infrastructure bottlenecks several incentives have been announced for improvement in power, roads, telecommunications and ports. The Golden Quadrilateral project and Pradhan Mantri Gramin Sadak Yojana have been launched.